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DEPARTMENT MISSION: SOUND STEWARDSHIP OF FISH AND WILDLIFE

January 15, 2009

The Honorable Christine O. Gregoire
Governor
Legislative Building
Post Office Box 40002
Olympia, Washington 98504-0002

STATUS REPORT AND RECOMMENDATIONS

On July 11, 2008, you sent a request to me, as the Fish and Wildlife Commission Chair, asking for information and recommendations on four important programs for which the Department of Fish and Wildlife is responsible: hatchery reform, selective fisheries, economic benefits of commercial and recreational fisheries, and tourism expansion. You requested that this report be provided to you by January 1, 2009, prior to our next meeting.

I apologize for missing the January 1 request date. However, with the following summary document and enclosures, you now have this report in time for review before the Commission's annual meeting with you on February 5.

Since receiving your original request in July, a lot has happened and the financial landscape in which we operate has changed substantially. The report and recommendations have been modified to reflect these changes. There are also complexities with two of these programs (hatchery reform and selective fisheries) that required "out-of-the-box" thinking and some education in order to provide an accurate response.

The Commission greatly appreciates your attention to the importance of healthy fish and wildlife resources and recognition of the economic benefits these resources provide to the state. While the budgetary

challenges we face as a nation, as a state, and as an agency are formidable, the Commission trusts that the Department's new executive team will competently lead the agency through this difficult period of severe budget reductions. The executive leadership of our Department has made a tremendous effort to solve the numerous, serious management concerns outlined in the Berk Report. We are looking at the current budgetary challenge as an opportunity to thoroughly review the Department's organization, functionality, and priorities for accomplishing its mission. These efforts will result in a more effective and better aligned organization.

I sincerely hope that we have provided a clear response to your request and that you find the information useful. The Commission looks forward to meeting with you in February and will be prepared to discuss any questions that you may have about this report.

Thank you for the opportunity to provide you with an update on these important issues.

Respectfully submitted,



Jerry R. Gutzwiler, Chair
Washington Fish and Wildlife Commission

Enclosures

cc: U.S. Senator Patty Murray
U.S. Senator Maria Cantwell
Congressman Norm Dicks
Congressman Brian Baird
Congressman Doc Hastings
Washington State Senator Ken Jacobsen, Chair
Senate Natural Resources, Ocean and Parks Committee
Washington State Representative Brian Blake, Chair
House Agriculture and Natural Resources Committee
Fish and Wildlife Commission
Juli Wilkerson, Director, Department of Community, Trade and Economic
Development
Phil Anderson, Interim Director, Department of Fish and Wildlife
Joe Stohr, Deputy Director, Department of Fish and Wildlife
Tom Davis, Legislative Liaison, Department of Fish and Wildlife

STATUS REPORT AND RECOMMENDATIONS

The Washington Fish and Wildlife Commission (Commission), with support from the Washington Department of Fish and Wildlife (Department) staff, is pleased to provide this status report on four key areas as requested by Governor Gregoire in a letter dated July 11, 2008. This report summarizes the approach and timetable for completing hatchery reform, our intentions in moving towards “full implementation” of mark-selective fisheries, an economic analysis of the commercial and recreational fisheries, and our existing and future efforts to expand eco-tourism opportunities.

This assessment coincides with a time when we are facing the most severe budget challenge in the history of the Department. As the report shows, many of the activities that we manage provide jobs and economic benefits to diverse areas of the state, particularly rural communities. As we look into the future, we can see that our plans may have significant implications for important sectors of the economy. Although conservation is job one, we are committed to doing our part to foster use of natural resources that is sustainable. “Full implementation” of hatchery reform and mark-selective fisheries will allow us to more fully achieve both conservation and use. We hope that the priority actions described below, particularly those associated with hatchery reform, will be taken into consideration when looking for “shovel ready” capital projects that can provide economic stimulus as well as conservation benefits.

The Department recently completed an extensive forward-thinking process known as the 21st Century Salmon and Steelhead Framework. The Framework, coupled with the activities described in this report, will provide the Department an objective, science-based roadmap that will guide us in setting budget priorities that serve our conservation and fisheries mandates.

Status of Hatchery Reform

Science-based Recommendations

Congress created the Hatchery Scientific Review Group (HSRG) – an expert panel of independent scientists – in 2000 to review hatchery programs throughout Washington and develop recommendations for improving them over time. In 2004, the HSRG published its first report with 1,100 recommendations for change at individual hatcheries along with 18 recommendations for system-wide improvement. The 2004 report addressed hatcheries in Puget Sound and on the Coast. In January 2009, the HSRG will issue its second report on the hatchery programs in the Columbia River. In its 2007 Progress Report to Congress, the HSRG identified two broad areas of priority for implementing hatchery reform: broodstock management and environmental compliance. Broodstock management is aimed at improving the fitness and viability of hatchery and natural production. This involves preventing excessive numbers of hatchery fish from spawning with wild populations, as well as utilizing some wild broodstock to invigorate hatchery populations. Environmental compliance refers to measures that reduce the deleterious impacts of hatcheries by improving effluent discharges, reducing water quantity demands, and removing fish passage barriers. Without implementation of these science-based reforms, hatchery production will continue to have a detrimental effect on wild fish.

Department's Approach

The Department of Fish and Wildlife is committed to implementation of hatchery reform as a central element of our strategy to recover and maintain healthy, fit, natural populations while providing harvest opportunities. However, our Department cannot act unilaterally. Pursuant to a federal court order, co-managers are obligated to reach agreement regarding hatchery production levels through annual negotiation as outlined in a document known as the "Equilibrium Brood Document." This document is a required part of the Puget Sound Management Plan. Any changes to hatchery production must be coordinated with the respective tribal co-managers. In May 2008, the Department began working with tribal co-managers to develop a long-term schedule for comprehensive hatchery reform, referred to as the "Hatchery Action Implementation Plan." This plan will be completed by the end of the next biennium; it will include a detailed timetable for site-specific operational changes and facility improvements necessary for completion of all hatchery reform actions by the year 2030.

The recommendations of the HSRG will take many biennia to put into effect. While some of the actions can be carried out with little or no additional funding, most of them will require a significant investment of time and money. An independent engineering assessment of Department hatchery facilities concluded that more than \$150 million in capital investments would be needed to update hatchery facilities and ensure compliance with environmental regulations.

Thus far, the Department's approach to hatchery reform has been to simultaneously work to achieve the twin goals of hatchery reform and sustainable fisheries. Because drops in hatchery production lead to lower recreational and commercial harvest levels, the agency has tried to avoid severe reductions in hatchery production – even where hatchery fish present a risk to wild populations. As we move ahead with our hatchery reform plans, however, we must either take the actions needed to protect wild fish, or we must revisit the past policy choice to maintain production for harvest. These will be tough decisions; we must build an objective and biologically-sound plan to move forward, if we are serious about rebuilding wild salmon and steelhead populations.

Simply stated, hatchery reform cannot achieve its purpose unless excess hatchery fish are removed before they reach the spawning beds. There are only three realistic ways this can be done: 1) by reducing hatchery production; 2) by constructing weirs and other methods for physical removal of hatchery fish; or 3) by expanding mark-selective fisheries to "mop up" hatchery fish. Tribal co-managers, sport fishers, and commercial harvesters have all voiced opposition to any major reductions in hatchery production. Weirs, or in-river fences, that block hatchery fish from the spawning areas are not practical in all settings, are costly to install, and are labor intensive to operate and maintain. We see expansion of the recreational and commercial mark-selective fishery in most settings as the most promising strategy to maintain production levels while simultaneously moving forward towards wild fish recovery. The discussion that begins on page 4 provides the status of our efforts to expand the mark-selective fishery.

Status Assessment

Currently, about 23% (31 of 132) of our hatchery programs are consistent with HSRG standards. More than 800 of the 1,100 HSRG recommendations for Puget Sound and the Washington Coast have been implemented. While this is a significant proportion of the HSRG recommendations, it represents the easier and lower-cost actions. The more complex tasks still face us.

Broodstock Management

Complete marking of all hatchery fish is the first step in hatchery reform and broodstock management. Hatchery fish are marked by removal (by clipping) of the adipose fin. In that way, hatchery and wild fish can be easily distinguished from each other by fishers and managers. Nearly all salmon (coho, steelhead, and Chinook) that should be marked are being marked. Hatchery production at Priest Rapids Public Utility District (PUD) facility is the only significant remaining production that is unmarked. Policy discussions are underway with the Yakama Tribe and PUD to achieve 100% marking of hatchery production.

The HSRG has delivered recommendations or guidelines for changes in broodstock management for many, but not all, runs. Our preliminary assessment found that HSRG guidelines for broodstock management were met for only 28% of the 50 hatcheries the Department operates in western Washington. The Department is integrating HSRG guidelines into broodstock management plans throughout the state. To begin implementing the guidelines in 2008-2009, the Department will assure that at least some wild fish are incorporated into the broodstock of every hatchery program recommended by the HSRG. Additional HSRG recommendations are expected in early 2009.

Current and Future Funding Requirements

Hatchery reform will require a substantial financial commitment over the long-term. Regional plans will be completed in the next two years. They will spell out the level of funding needed over the course of the next 20 years. The plans will present a specific pathway of sequenced actions and the rationale for the selected actions. Our budget request for the 2009-2011 Biennium includes \$1.1 million in operating funds and \$18.5 million in capital funds to implement hatchery reform in the next two years. Without these additional funds, we will not be able to keep pace with the timetable for completion of all hatchery reform recommendations by 2030.

Recommendations

Achieving hatchery reform will take a high-level political commitment over a long period of time. Adequate investments must be made year after year. In addition, we will need the political support of the Governor's Office and Legislature as we make the hard choices mentioned above: we will either have to reduce production or we will have to change the harvest to be more selective. The cost of hatchery reform is high; however, the investment is fundamental to saving wild salmon. The actions outlined above are scientifically supported. With the support of your office, the Commission is prepared to move forward in making hatchery reform a priority. Reform means change. We cannot continue to manage as we have in the past and recover our wild stocks. It is time to align harvest levels with hatchery production levels and align hatchery production with harvest capacity.

The Commission has discussed with the Department's Executive Team whether funding in other parts of the agency can be redirected towards hatchery reform. At present it would be extremely difficult to find funding of the necessary scale to divert from other programs. We understand that our agency is not the only one under unprecedented budgetary pressure, and senior staff members have been working diligently to achieve the cost savings as instructed by the Governor's Office. Regardless of our final 2009-2011 budget allotment, the Commission and Department are dedicated to getting the most out of every dollar for the benefit of these priorities.

We have identified new sources of potential funding to ensure hatchery reform implementation. Some of the strategies we are considering include: 1) requesting consideration of hatchery reform projects under federal and state economic stimulus packages; 2) redirecting the commercial salmon fishery excise tax to a Wildlife Account; 3) creating a Puget Sound Improvement District; and 4) use of the Aquatic Lands Enhancement Account (ALEA).

Finally, the Department has a number of priority “shovel ready” construction projects that implement hatchery reform recommendations. These projects meet the economic stimulus criteria, further recovery of wild salmon, and improve the ability of citizens to enjoy our state’s natural resources. Potential federal funds that could be sources of economic stimulus investments are the Pacific Coastal Salmon Recovery Fund and Mitchell Act funds.

Mark-Selective Fisheries

Approach to “Full Implementation”

Mark-selective fisheries were developed by the Department as a strategy to maintain fishing opportunity directed at hatchery fish, while assuring that a sufficient number of wild fish escape to spawn naturally. Washington was the first state in the nation to mass mark hatchery fish by clipping the adipose fin, allowing them to be quickly distinguished from wild fish in the field. Concurrently, the Department developed the sophisticated computer model that allows confident predictions of wild fish mortalities associated with catch and releases during mark-selective fisheries. However, even with these capabilities in place, the Department cannot unilaterally implement or extend mark-selective fisheries.

As discussed above in connection with hatchery reform and treaty rights, current law requires the Department to seek agreement with our tribal co-managers before we institute any changes in harvest management, including expansion of mark-selective fisheries. The status of our efforts to reach agreement with the affected tribes is summarized below. In areas where tribal consent is not required, the Department is moving towards “full implementation” of mark-selective fisheries in both recreational and commercial fisheries. In the lower Columbia River and on the ocean, for example, we are working to identify all non-selective fisheries that should be converted to mark-selective fisheries as described below. The long-term plan for the Columbia River expands mark-selective fisheries in concert with actions needed to maintain hatchery production levels and to meet wild fish recovery goals.

Co-Management Approach through North of Falcon

While the tribes have generally endorsed mark-selective fisheries in principle, some tribes are more willing than others to agree to expansions in the non-treaty selective fisheries. Under a court order pursuant to U.S. v. Washington, agreement must be reached with affected tribes before state-managed (non-treaty) non-selective fisheries can be converted to mark-selective fisheries. This is because the consequences of such changes can be significant. The consequences are not easily predicted, because they depend on many variables (such as the number of fishermen who will take part in a new fishery, the percentage of marked to unmarked fish in the area when the season occurs, the timing of the peak runs, etc). Extensive monitoring and enforcement for a number of years are the only ways to quantify and control a new fishery to alleviate the concerns of affected tribes. The expense of extra monitoring and enforcement associated with new mark-selective fisheries has been substantial. The pace of expansion of new fisheries thus has been slowed by these cost considerations and the concerns of our tribal co-managers.

Defining “Full Implementation”

Unlike the hatchery reform program, we do not currently have a long-term assessment that defines the goal – the definition of “full implementation” for non-treaty mark-selective fisheries in all regions. In the Puget Sound and coastal regions, the treaty rights of all affected tribes must be brought into the calculation. Because the consent of affected tribes is often contingent on the specifics of the proposed seasons, it would be difficult to negotiate a long-term or comprehensive plan for “full implementation” with all the tribes that would have to agree to such a plan. To date, rather than laying out a unilateral definition of “full implementation” in Puget Sound and the coast, our Department has worked in partnership with recreational stakeholders to define, for each region, a set of goals for expansion for the next 3-5 years. The goals for near-term expansion are then advanced by the Department during the appropriate negotiations with the tribes. For example, with the agreement of tribal governments and \$500,000 of additional funding, five new recreational mark-selective fisheries for Chinook and coho salmon were implemented in Puget Sound in 2007.

The Commission sees the value of defining what “full implementation” of mark-selective fisheries would mean. We know that in some watersheds, there is no need to convert existing fisheries to mark-selective fisheries, because the stocks are healthy or wild and hatchery stocks are fully segregated. In the Skagit River, for example, very strong returns of wild Chinook and coho salmon are mixed with relatively few hatchery fish. Selective fisheries have been implemented for both species in areas of the Skagit River where hatchery fish are concentrated, but selective fisheries probably do not make good sense where wild fish predominate. In other watersheds, the objectives of hatchery reform cannot be achieved unless and until mark-selective harvest can be implemented to effectively remove excess hatchery fish.

Department staff has been asked to generate a clear vision for “full implementation.” The Puget Sound Recreational Fishing Cabinet – a group of sport fishers that has advised the agency on priorities for conversion to mark-selective fisheries – has identified their vision of “full implementation” of mark-selective fisheries in Puget Sound. The Cabinet’s vision will be considered, as will the views of other stakeholders, as the Department develops its vision. Once the agency’s vision has been developed, it will be shared with our tribal co-managers, but at this time we have asked staff not to seek full tribal concurrence. We need to take the first step of defining our vision and goal for “full implementation” before we begin the discussion with co-managers.

Schedule for Immediate Expansion

Working with our recreational advisors, twelve candidate areas have been proposed for either new or expanded selective fishing in marine waters in 2009. We will discuss these proposals with our tribal co-managers during the 2009 North of Falcon process. Funding for monitoring and enforcement will be pivotal to initiating these new fisheries. Work will continue in those areas in which tribal consent for expansion of mark-selective fisheries is not required. In the Columbia River and coastal areas, some commercial fisheries have already been converted to mark-selective (i.e., ocean coho troll fishery and the Columbia River tangle net fishery for spring Chinook). Beginning this year, the Department will launch a three-phase effort to convert commercial fisheries to mark-selective practices. The first phase will be devoted to an assessment of the biological, legal, and economic hurdles to selective commercial fishing. In the next phase, alternative live-capture options will be evaluated. During the final phase, we will implement the strategies for commercial selective fisheries that demonstrated the most promise. Close collaboration with stakeholders and the

Washington State Legislature will be important throughout the process.

Current and Future Funding

The proposed new mark-selective fisheries would require additional monitoring and enforcement and add approximately \$500,000 per year to current management costs. Monetary support from federal sources has allowed much of the progress to take place. The Department will continue to work with your office, legislators, federal authorities, members of Congress, and stakeholders to secure the funding needed to implement additional mark-selective fisheries.

Recommendations

As stated above in connection with hatchery reform, “full implementation” of selective fisheries will require overcoming the resistance to change that is a natural part of the human landscape in which we operate. We will need the political support of the Governor’s Office to move forward towards maximizing selective fisheries. Selective fisheries are a tool that is closely linked to hatchery reform. In many situations we will need to increase selective harvest capacity to align with hatchery production. The alternative in these situations will be to reduce hatchery production levels to match the current harvest capacity if recovery of wild salmon and steelhead is going to be accomplished.

Economic Benefits of Commercial and Recreational Salmon/Steelhead Fisheries

The recreational and commercial fishing industries have an important role to play in Washington’s economy, particularly in rural communities. The Department recently commissioned a study to summarize the overall economic benefits of Washington’s non-treaty commercial and recreational fisheries for 2006. The full report, which touched on the impressive breadth of our state’s fisheries – from inland lakes of eastern Washington to the distant ocean fishery – is enclosed.

Some of the key findings specific to the harvest of salmon and steelhead for 2006 include:

- Washington’s commercial and recreational fishing industry directly and indirectly supported an estimated 16,374 jobs and \$540 million in personal income for the year.
- Personal income for the commercial fisheries in Washington waters was valued at more than \$148 million, which does not reflect the value added by the West Coast off-shore fisheries, aquaculture, excluded catch areas, and value added by restaurants or commercial fisheries’ purchases.
- Commercial salmon fishers’ landings were valued at more than \$9.5 million, which does not reflect the value added by the processor or economic impact to restaurants or commercial fisher purchases.
- More than 2.5 million recreational salmon angler trips were taken in 2006.
- Personal income generated by recreational fisheries in Washington was valued at more than \$376 million.
- Expenditures for trip-related recreational fishing were estimated at \$355 million, and spending on recreational fishing related equipment was estimated at \$550 million.

The study was not an effort to thoroughly document the economic significance of this sector, but it does make clear that fisheries provide livelihoods for thousands who sell equipment, serve as guides, and harvest fish for market. Fishing is a central part of the quality of life in Washington for hundreds of thousands of our citizens. See enclosed copy of the report for additional details.

Tourism Opportunities in Outdoor and Nature-Based Experiences

Based on the most recent (2006) U.S. Fish and Wildlife Service National Survey, nearly half of all Washington residents enjoy viewing wildlife every year. An estimated \$1.5 billion is contributed to the state's economy by nature-based tourism. Much of this economic activity takes place in rural communities of the state, close to the most productive wildlife and fish habitat and scenic wildlands. Whether engaged in hunting or fishing or just taking in the natural beauty, citizens and visitors benefit from the services our agency provides.

Our Department is responsible for roughly one million acres of wildlands, 21 designated campgrounds, and 650 boating access sites on fresh and salt water. We have offices, labs, and other facilities throughout the state that offer the public outreach services to help instill a respect and appreciation for the natural resources that surround us. We manage fishing and hunting seasons first and foremost to assure conservation of the resources for future generations. By assuring healthy wildlife populations and well-maintained lands, the Department secures for citizens and visitors the chance to appreciate the beauty and rich diversity of our wild areas. Our next highest priority is to offer license holders abundant opportunity to enjoy fishing, hunting, and other activities. The Department will continue to look for ways to improve and increase these opportunities.

Approach and Strategy

While the Department's primary mission is to manage fish and wildlife resources wisely, it is clear that we can play a central role in directing the expansion of nature-based tourism in Washington State. As interest has grown in expanding nature-based tourism, we have looked to form partnerships with other state agencies and with private organizations that have more expertise in marketing and economic development. For example, our agency worked collaboratively with the Washington Department of Community Trade and Economic Development (CTED) to prepare the 2004 Report to the Legislature entitled *Wildlife Viewing Activities in Washington*. The State Tourism Commission's *Washington State Tourism Marketing Plan, 2009/2010* has provided a framework for our Department's strategy to expand nature-based tourism opportunities.

Our strategy is to draw more people outside by informing them of the exciting experiences they can have around the state. Among the specific ways we hope to spur nature tourism is by packaging together information about multiple attractions found in a region that may be visited during the same trip. One such specialized tour would combine wildlife viewing with visits to local farms or wineries. Other tour concepts would direct those interested in environmentally-sound "green" destinations. Our Department has also integrated conservation education into the tourism strategy: information will be shared that advises people about ethical wildlife viewing practices – how to enjoy viewing wildlife without causing harm. To draw visitors outside, this creative thinking must be supported by information that is easily accessible when needed: when future vacation plans are being made or when people are looking for immediate directions. To make information readily available at all times, our strategy calls for the development of a wireless accessible, GPS-

explicit, electronic wildlife viewing guide offering locations, driving directions, and interpretive information about fish and wildlife destinations.

The Department has a number of specific cooperative projects slated this year. With CTED, it will sponsor product development workshops, the Central Cascades Geo-Tourism Project, and the Watchable Wildlife Conference. As in the past, the Department will continue to support local wildlife tourism activities, festivals, and community outdoor events. Upper Skagit Valley Bald Eagle Festival, Grand Coulee "Balde" Eagle Festival, Issaquah Salmon Festival, Grays Harbor Shorebird Festival, and the Othello Sandhill Crane Festival are all examples of events that draw people to appreciate our natural resources.

A tremendous opportunity is on the horizon: the 2010 Winter Olympics in Vancouver, British Columbia will draw hundreds of thousands of tourists from around the world. We have a once-in-a-lifetime chance to induce many of them to cross the border. We will work with CTED and the State Tourism Office to define specifically how we can best market our natural destinations to potential Olympics visitors.

Recommendations

Funding to implement priority activities in the legislative report and a tourism marketing plan is in place within dedicated license plate sub-accounts of the State Wildlife Account. If our Department's wildlife ecotourism request for additional spending authority from the State Wildlife Account is approved, we will be able to carry out the program of activities set forth in our nature tourism strategy. Your support for this request will be key in the implementation of this strategy.